

# Unemployment fraud

Beginning in April 2020, Washington's Unemployment Insurance (UI) program was one of the first to suffer an unprecedented and massive nationwide attack of imposter fraud. The federal government is still working to understand the full scope and scale.

The U.S. Government Accountability Office (GAO) estimates that nationally, approximately \$135 billion was paid in fraudulent UI claims. The GAO believes that figure is 15% of the total amount of UI benefits paid during the pandemic.

## Washington was an early target

**Two things made Washington an early target for the attack.** It was one of the first states in the country to deliver the federal government's new pandemic unemployment programs. On April 18, 2020, the Employment Security Department (ESD), the state agency that administers Washington's UI program, launched Pandemic Emergency Unemployment Compensation (PEUC), Pandemic Unemployment Assistance (PUA) and Federal Pandemic Unemployment Compensation (FPUC).

Washington also had the second highest maximum weekly benefit amount in the nation. In spring of 2020, it was \$790, and FPUC gave claimants an extra \$600 per week, on top of their weekly benefit amount. In total, Washington paid out \$21.7 billion for all pandemic-era benefits.

## Early detection and action limited initial fraud loss

**Washington's ESD estimates that, during the COVID-19 pandemic, fraudulent claims accounted for \$647 million** — 3% of the \$21.7 billion in unemployment benefits paid to workers. And it could have been much worse. Early detection on the part of ESD, combined with the decision to pause benefit payments, prevented payment on an additional 100,000 fraudulent claims.

ESD caught the fraud within the first two weeks. The department then made the decision to pause all benefit payments for seven days, from May 13 – 19 and again on the evening of May 26, 2020. During this time, ESD worked with outside security experts to isolate potential fraud for investigation and add more controls to UI systems.

After payments were paused, ESD organized claims into four groups: known, probable, potential, and unlikely fraud. The ESD commissioner directed the department's finance team to recover known and probable fraud through financial institutions because financial institutions are obligated to put holds on accounts associated with fraud.

The ESD finance team then collected and analyzed fraud data by bank, likelihood of fraud, bank account number, etc. The finance team determined that 95% of fraudulent payments went to 75 banks. From there, ESD contacted each bank and attempted to recover funds. This effort included sharing fraud data with the banks and negotiating recoverable amounts. The State Attorney General's Office (AGO) has been helpful in this endeavor as the finance team continues to work with many banks to return any remaining fraudulent funds owed to Washington's state unemployment trust fund.

## Washington emerges as national leader, recovering almost 65%

**ESD's quick response has placed Washington in the remarkable position of having some of the lowest fraud losses in the nation.** Now, thanks to partnership with the State AGO, Washington appears to be leading the nation in fraud recovery. As of July 31, 2023, Washington had recovered close to \$423.6 million of the initial fraud losses, for a recovery rate of almost 65%.

ESD applies recovered funds to the oldest outstanding debt and the same applies for fraud recoveries. If the returned amounts are associated with regular UI, those funds are used to pay claims for UI benefits or sent back to the trust fund. All other programs with returned funds are similarly first paid out to any claims that are being paid and then sent back to the federal agency that funded the benefit.

Despite a lack of data on national fraud recovery efforts, other states are paying attention to Washington's 65% recovery rate. State officials across the country want to know more about the ESD-AGO partnership. Anecdotally, we know that ESD staff have been fielding questions from their counterparts at national forums, sharing lessons as well as best practices.